

Realty Trust Review

January 28, 1977
Priced Jan. 24

VOL. VIII, No. 2

INVESTMENT OUTLOOK AND STATISTICAL ISSUE

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INVESTMENT OUTLOOK: GREATER REAL ESTATE DEMAND MAY HELP REITs; ANOTHER TENDER

While the supply/demand relationship in real estate changes slowly and property values must necessarily remain individual and localized, some broad trends are underway which should bear on the real estate trusts. Obviously there will not be perfect correlation of general trends to all trusts but there will be a filtering down among various quality grades. Demand for highest grade income properties is apparently getting even stronger. An old story but now we are hearing of this demand being reflected in capitalization rates, i.e., the return investors are willing to accept on their investment. One prime developer tells of offers at 8%, a notch or two below the usual 9-10% desired of prime real estate. Some buyers are more willing to accept a lower current return in exchange for "betting on the come", that is higher future return from revenue/cash flow growth or simply for appreciation at resale. Additionally, some investors are turning more to U.S. real estate as an increasingly attractive investment haven.

There are sound underlying reasons for these trends. Inflationary trends remain a concern no matter what the exact inflationary rate turns out to be. Real estate is of course a traditional inflation hedge. Some dollar amounts are being circulated and will be meaningful if only partly correct. Commingled real estate funds are gathering steam with one source estimating the pension funds will try to place \$1.5 to \$3.7 billion per year over the decade into real estate. European interest in American real estate has long been talked about and the momentum from this source is growing. Faced with a difficult investment environment abroad which has created

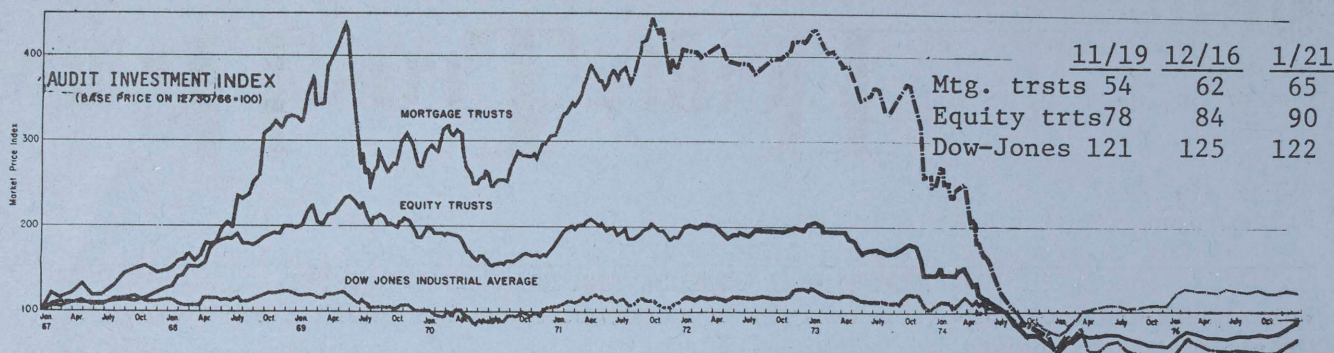
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DISCLOSURE REPORTS ON PROBLEM PROPERTIES- Jan. 21 issue details properties held by Barnett Winston Invest., NJB Prime Investors and Cousins Mort. Single copies:\$9 prepaid

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fears of Socialism coupled with low rates of return, 6% to 7%, on European real estate; America and its real estate is being viewed as the last haven for capital. One broker active with European real estate investors believes European institutions, including pension funds, could be pouring \$1 billion annually into U.S. real estate by 1978.

Any filtering down effect will necessarily take time before newer and marginal properties reflect any increased real estate demand from these sources. We may even see a two-tier market with sharp discrepancies in valuation between established and newer properties with the former selling high at low yields and the latter selling low. This would be reminiscent of the stock market a few years ago when favored growth stocks commanded far higher multiples than the rest of the market. This means the construction lending trusts, which hold new and often marginal properties, are not out of the woods but the horizon may start to look better for dispositions.

The supply side is not bullish in some respects. Not much new building is coming out of the ground but more major real estate firms are talking liquidation and consolidation than in many years. Tishman Realty is selling most of its big office buildings to Equitable Life Assurance Society for \$107 million. Arlen Realty & Development, 58% owner of Arlen Realty, will begin emphasizing earnings instead of cash flow implying much of its holdings will be sold. Kaiser Aetna, partnership of Kaiser Aluminum and Aetna Life & Casualty, just wrote down \$148 million of its \$645 million assets. Minimally, additional capital will be required here but some form of liquidation is possible. On balance, however, these existing or potential offerings do not seem likely to create an imbalance but should be readily absorbed by the described demand.

Somewhat akin to burgeoning property demand is emerging demand for trusts themselves via tender. To begin with, we are in a corporate takeover market. More takeovers were attempted last year than in the past ten years. We now have the second trust tender offer in six months. Last June, a tender for 300,000 San Francisco Real Estate at 7 failed. On Jan. 4, an offer for 625,000 shares of Property Trust of America at \$4/sh. was made by Hunt Building. Property Trust is a \$36 million combination equity trust. The trustees advised shareholders against tendering pointing out book value was \$7.72/share and the trust's short-term debt was paid off. A tender offer may prove to be a good time to buy the sought after shares. San Francisco's shares now sell at 14, double the tender price. The buyout mentality indicates broader market interest in searching out values.

Non-earnings have stabilized as a percentage of assets. Last month they declined slightly on an absolute basis but total assets shrunk slightly more. Our tally:

		---Invested assets---		%	Month %
Group	Number	Non-earning	Total	Non-earn.	Change
Short-term mortgage....	59	\$7,199MM	\$9,733MM	74%	-0.8%
Inter. & long-term mtg.	28	1,704	4,070	42	-1.8
Equity & combination....	44	929	3,479	27	0.0
TOTALS/AVERAGES....	131	\$9,832	\$17,272	57%	-0.9%

TRUST NOTES: LMI INVESTORS' tender offer for its debentures expired Jan. 24 with \$16 million tendered through Jan. 20. Colwell Mortgage did not obtain consent from note-holders to pledge assets to banks. This is a default under the revolving credit agreement but we do not think this alone will force Colwell into bankruptcy.

DIVIDEND TRENDS: JANUARY DECLARATIONS MARKED BY ANOTHER RENEWAL

January declarations were marked by the return to dividend status by San Francisco Real Estate after a two-year lapse. The trust is paying out its 59¢/share taxable 1976 income in 1977 implying the 15¢ quarterly for another three quarters. Its 1977 income will be paid late in 1977. Maintained payments were shown by most others. The exception was Real Estate Trust of America breaking a six-year level payout with a 5¢ reduction. This was attributable to the slower than expected rentup at the newly expanded shopping center in Sacramento, Cal. Increasing its payout was Equitable Life Mortgage plus a yearend.

Our tally of declarations

	<u>Up</u>	<u>Same</u>	<u>Down</u>	<u>Total</u>	<u>%Change</u>
Jan.	2	8	1	11	+5%
-----From previous year-----					
Jan.	3	6	2	11	+0.3%

Trust	Record date	--Dividend/share-- Latest Previous	--Net change-- Amt. Percent	Special	Year Ago	% Change
API Trust	1/31	\$0.10	\$0.10	NC	\$0.10	NC
Conn. General M&R	1/28	0.40	0.40	NC	0.40	NC
Consol. Cap. Realty	1/17	0.1684M	0.1684	NC	0.1667	+1
Continental Ill. Prop.	1/4	0.32	0.32	NC	0.32	NC
Equitable Lf. Mtg.	1/17	0.55	0.50	+0.05	\$0.04	+10
					+ .29 special	
First Union RE	1/21	0.25	0.25	NC	0.24	+4
JMB Realty	1/14	0.40	0.40	NC	0.40	NC
Lomas & Nettleton Mtg.	1/28	0.21	0.21	NC	0.36	-42
New Plan Realty	1/14	0.075M	0.075	NC	0.07	+7
Nowstrn Mutual M&R	1/21	0.25	0.25	NC	0.25	NC
PNB Mtg. & Realty	1/31	0.10	0.10	NC	0.10	NC
REIT of America	1/17	0.30	0.35	-0.05	0.35	-14
San Francisco REI	2/4	0.15	0.00	+0.15	0.00	--
TOTALS (11 Trusts)b		\$3.03	\$2.88	+\$0.15	\$3.02	+0.3%

b-Excludes monthly and special dividends. NC-No change. M-Monthly. Trusts with dividends reduced from previous quarter underlined.

COMPARATIVE TRUST GROUP AVERAGES 01/26/77

GROUP	SHARE N (000)	BOOK VALUE	ANN DIV*	EARN ANN*	LAST PRICE	% CHG MCN	FROM-- AGO	P/E RATIO	ANN* YIELD	% PR TC BK	RETURN CN BK	MARKET VALUE
EQUITY TRUSTS	20	2042	11.92	0.80	0.94	10.98	4.8	4.2	11.7	7.3	-7.9	561.4
EQUITY AND MORTGAGE COMBIN	21	1618	10.10	0.30	0.43	5.95	12.9	9.0	13.7	5.0	-41.1	190.2
SUBORDINATED LAND TRUSTS	3	2689	12.97	0.40	0.61	6.75	5.9	-8.5	11.0	5.9	-47.9	50.1
AVERAGE 3 EQUITY GROUPS	44	1884	11.12	0.54	0.68	8.29	7.5	5.0	12.2	6.5	-25.4	801.6
SHORT-TERM MTG-INDEFFINENT	17	3764	0.53	0.00	0.00	1.16	27.1	4.4	247.1	0.0	121.1	46.0
SHORT-TERM MTG-MTG BANKER	17	2075	8.09	0.29	0.33	4.65	4.0	1.0	14.1	6.2	-42.5	172.0
SHORT-TERM MTG-COMMCL BANK	17	2314	2.95	0.03	0.42	2.58	12.6	5.7	6.2	1.1	-12.6	117.1
SHORT-TERM-MISC FINCL	8	2381	4.58	0.02	0.02	2.92	18.3	3.6	146.2	0.7	-36.1	45.1
AVERAGE 4 SHORT-TERM GROUPS	59	2672	3.95	0.09	0.22	2.81	10.5	3.0	12.8	3.3	-28.8	380.2
INTERMEDIATE-TERM MORTGAGES	6	3345	3.33	0.36	0.36	4.15	7.6	-3.8	11.5	8.7	24.5	52.3
LONG-TERM MTG & EQUITIES	22	2925	12.31	0.48	0.48	7.10	3.5	-0.7	14.7	6.7	-42.3	618.5
AVERAGE LONG & INTERMEDIATE	28	3015	10.39	0.45	0.46	6.47	4.1	-1.1	14.1	7.0	-37.8	670.9
OVERALL AVERAGE	131	2480	7.74	0.32	0.42	5.44	7.3	2.9	12.8	5.9	-29.7	1852.7

DOW-JONES INDUSTRIAL AVERAGE

95.81 963.60 -1.6 -4.1 10.1 4.3 *Latest quarter annualized

STRAIGHT BONDS

Issuer & Desc.	Ex.	Int.	Mat.	Mil.\$	Price	Change	Yield
Alison Mtg.-b	OCx	8.75%	'79	\$ 7.0	\$43.00	+ 87%	20%
Atico Mtg.-c#	NY	6.75	'82	16.9	57.00	+ 4	12
BT Mtg. Inv.-c	OC	5.75	'82	20.0	44.00	+ 10	13
Barnett Mtg.-c#	OC	6.75	'91	17.3	19.00	+ 73	36
Barnett Mtg.-cd	OC	8.50	'98	30.0	29.00	+ 71	29
Barnett-Win.-ce	OC	8.25	'98	30.0	29.00	+ 26	28
Cabot C&F Land-c	NY	8.50	'81	23.0	57.50	+ 3	15
Chase Man. Tr.-a	NY	7.88	'78	50.0	83.38	+ 6	9
Chase Man. Tr.-c	NY	7.50	'83	60.0	62.25	+ 11	12
Cit.&So. Rlty.-c#	OC	6.75	'78	30.0	28.00	- 3	24
Cit. Mtg. Inv.-b	ASx	8.50	'80	20.0	20.00	- 0	43
Colwell Mtg.-b	NY	8.20	'80	25.0	39.00	- 2	21
Cont. Ill.Rl.-b	NY	7.63	'79	25.0	72.25	+ 5	11
Cousins M&E-c	NY	6.50	'82	30.0	44.50	+ 14	15
First Mtg.-a	OC	6.75	'82	12.6	25.00	- 4	27
First Mtg.-a	OC	8.25	'77	23.5	51.00	- 2	16
First Virg.-b	OC	8-12f	'80	20.0	38.00	+ 15	21
Great Amer.Mtg.-b	OC	7.55	'79	25.0	14.00	+ 100	54
Great Amer.Mtg.-c	OC	8.75	'83	25.0	10.00	+ 25	88
Guardian Mtg.-b	NY	7.50	'79	25.0	44.25	+ 12	11
Guardian Mtg.-c#	AS	6.75	'86	8.6	38.88	+ 15	11
Gulf Mtg.&Rl.-c#	AS	7.70	'80	20.0	64.88	+ 6	12
IDS Realty-h	OC	--	--	179.8	25-35	0	NC

STRAIGHT BONDS

Issuer & Desc.	Ex.	Int.	Mat.	Mil.\$	Price	Change	Yield
Insti. Inv.-b	NY	7.88	'80	\$20.0	\$63.50	- 1%	12%
Justice Mtg.-b	OC	7.75	'79	19.6	29.00	+ 32	27
LMI Investors-c	NYx	6.75	'82	25.0	37.00	+ 68	18
Midland Mtg.-b	NY	8.00	'80	18.5	62.38	0	13
Mtg. Inv. Wash.-b	OC	8.50g	'80	15.0	53.00	+ 7	16
NJB Prime Inv.-c#	OC	7.00	'80	12.9	22.00	+ 22	32
No.Amer. Mtg.-c	NY	5.50	'79	27.8	82.50	+ 2	7
New Plan Rlty.-c	OC	8.50	'91	1.0	60.00	0	14
Saul (B.F.)-c	NY	8.50	'80	25.0	84.00	+ 3	10
State Mut. Inv.-b	NYx	9.00	'80	25.0	51.00	+ 16	18
Security Mtg.-#	AS	7.25	'82	50.0	78.50	+ 6	9
Security Mtg.-c#	OC	6.00	'82	17.1	52.00	+ 4	12
Tri-South Mtg.-b	NY	7.75	'80	25.0	47.50	+ 12	16

Description: a-Senior; b-Senior subordinate; c-Subordinate or junior subordinate. d-Convertible at \$39 till 9/1/78 when price may be adjusted. e-Convertible at \$31 till 12/1/78 when price will be adjusted. f-Variable at 1½% over monthly prime. g-Variable rate at 1½% over prime in Oct. and April. h-Five series, A-E: 6-7/8, 7-1/8, 7-3/8, two variable; 1987-94. x-Suspended by exchange. #—May be used at par to exercise warrants.

	EXCH/ SYMBOL	SHARE (000)	BOOK VALUE	ANN DIV	EARNINGS MCN	ANN*	LAST PRICE	-% CHNG MCN AGC	FRGM-- JAN 1	P/E RATIO	ANN* YIELD	% PR TO BK	RET CN BK	MKT VA (MILS)
EQUITY TRUSTS														
API TRUST #	O-API	1012	11.89	0.40	SEP	1.24	4.25	13.3	13.3	3.4	9.4	-64.3	10.4	4.3
C I REALTY #	N-CIX	2609	16.65	0.00	AUG	0.40	5.25	16.7	13.4	13.1	0.0	-68.5	2.4	13.7
CITIZENS GR	O-CITGS	811	10.12	0.00	JUL	0.00	1.25	66.7	0.0	0.0	0.0	-87.6	0.0	1.0
CON ILL PR	N-CIE	4808	21.30	1.28	JUL	1.40	16.63X	1.9	0.8	11.9	7.7	-21.9	6.6	80.0
CONSC CAP R	O-CCPLS	1989	21.24	2.02	AUG	2.32	24.25X	3.9	-1.0	10.5	8.3	14.2	10.9	48.2
DENVER REI #	O-DENVS	1091	8.78	0.60	SEP	0.80	6.75	0.0	0.0	8.4	8.9	-23.1	9.1	7.4
FEDERAL RLT	A-FRT	1276	9.74	1.24	SEP	0.72	13.88	9.9	5.7	19.3	8.9	42.5	7.4	17.7
FIRST UNION#	N-FUR	3991	8.52	1.00	JUL	1.12	12.38	3.2	2.1	11.1	8.1	45.3	13.1	49.4
FLORIDA GLF	O-FGLFS	975	15.67	1.28	CCT	1.28	12.00	6.7	6.7	9.4	10.7	-23.4	8.2	11.7
FST FIDELTY#	O-FFITS	866	10.69	0.14	AUG	0.04	4.75	51.8	58.3	118.8	2.9	-55.6	0.4	4.1
GENERAL GRO#	N-GGP	6202	6.14	1.40	SEP	1.52	23.13X	1.5	4.0	15.2	6.1	276.7	24.8	143.5
GOULD INVST	A-GTR	1179	6.86	0.10	SEP	0.41	4.13	31.9	22.7	10.1	2.4	-39.8	6.0	4.9
GREIT RLT #	A-GRT	998	10.98	0.40	CCT	0.76	7.25X	22.5	16.0	9.5	5.5	-34.0	6.9	7.2
HUBBARD REI	N-HRE	4004	21.87	1.20	CCT	1.48	17.00	7.9	7.9	11.5	7.1	-22.3	6.8	68.1
NEW PLAN RL	O-NPLNS	1331	2.30	0.90	JUL	0.72	9.00X	-9.3	0.0	12.5	10.0	291.3	31.3	12.0
PENN REIT #	A-PEI	1516	12.03	1.15	NOV	1.56	13.75	-0.9	-1.8	8.8	8.4	14.3	13.0	20.8
REIT CF AMER	A-REI	1633	21.13	1.20	NOV	1.00	14.75X	-6.7	-7.8	14.8	8.1	-30.2	4.7	24.1
SUMMIT PROP#	O-SMSTS	1554	7.35	0.00	JUL	0.21	2.75	10.0	37.5	13.1	0.0	-62.6	2.9	4.3
WASH REIT #	A-WRE	1473	10.62	1.76	SEP	1.84	25.00	4.7	5.3	13.6	7.0	135.4	17.3	36.8
WISC REI FD#	O-WREIS	1514	4.58	0.00	SEP	0.02	1.50	0.0	0.0	75.0	0.0	-67.2	0.4	2.3
GROUP AVERAGE		2042	11.92	0.80		0.94	10.98	4.8	4.2	11.7	7.3	-7.9	7.9	561.4

EQUITY AND MORTGAGE COMBINATION TRUSTS														
AMER REALTY	A-ARB	2222	2.80	0.00	SEP	0.00	0.88	76.0	39.7	0.0	0.0	-68.6	0.0	2.0
BANKAM RLT	O-BRLTS	3547	14.82	0.40	CCT	0.48	9.75	9.8	-2.5	20.3	4.1	-34.2	3.2	34.6
BRT RLT TR	A-BRT	1400	5.80	0.00	AUG	0.00	1.00	23.5	13.6	0.0	0.0	-82.8	0.0	1.4
FLATLEY RLT	O-FLTIS	1000	6.54	0.00	SEP	0.16	3.00	-7.7	0.0	18.8	0.0	-54.1	2.4	3.0
FRANKLIN RLY	A-FR	999	7.48	0.00	SEP	0.00	3.63	32.0	11.7	0.0	0.0	-51.5	0.0	3.6
HOTEL INVSTR	A-HOT	1545	18.12	1.28	NOV	1.28	13.38X	-0.4	5.9	10.5	9.6	-26.2	7.1	20.7
INDIANA M&R	O-INDMS	1154	12.28	0.00	SEP	0.00	2.38	-4.8	-4.8	0.0	0.0	-80.6	0.0	2.7
INVESTOR RL#	A-IRT	1579	10.62	0.00	AUG	0.04	6.75	58.8	50.0	168.8	0.0	-36.4	0.4	10.7
JMB REALTY#	O-JMBRS	510	18.20	1.60	AUG	1.96	13.75X	6.8	1.9	7.0	11.6	-24.5	10.8	7.0
LINCOLN MTG*	O-LMGS	1155	1.80	0.00	SEP	0.00	0.38	22.6	-13.6	0.0	0.0	-78.9	0.0	0.4
MILLER HEN S	O-HSMTS	560	16.95	0.00	NOV	0.66	7.75	3.3	3.3	11.7	0.0	-54.3	3.9	4.3
NJB PRIME	O-NJB	1280	-0.34	0.00	ALG	0.00	0.31	93.8	14.8	0.0	0.0	NEG.	0.0	0.4
PLAZA REALTY	O-PNE	1114	4.27	0.00	SEP	0.00	0.88	-13.6	-13.6	0.0	0.0	-79.4	0.0	0.1
RIVIERE RLY#	O-RIVIT	783	8.13	1.00	SEP	1.04	8.50X	2.9	0.0	8.2	11.8	4.6	12.8	6.7
RLTY INCOME	A-RIT	1565	13.50	1.40	CCT	2.27	10.50	0.0	0.0	4.6	13.3	-22.2	16.8	16.4
SAN FRAN RE#	A-SFI	1348	19.95	0.60	SEP	0.34	14.00	38.2	27.3	41.2	4.3	-29.8	1.7	18.9
SAUL (BF)REI	N-BFS	5658	7.88	0.00	SEP	0.00	4.13	-5.7	0.0	0.0	0.0	-47.6	0.0	23.4
US BANCORP #	A-LBT	840	16.76	0.00	AUG	0.00	8.63	21.0	7.9	0.0	0.0	-48.5	0.0	7.2
US REALTY #	N-LTY	3434	4.20	0.00	SEP	0.00	3.38	50.2	28.5	0.0	0.0	-19.5	0.0	11.6
VIRGINIA RE#	O-VARES	1251	10.02	0.00	SEP	0.88	7.75	19.2	19.2	8.8	0.0	-22.7	8.8	9.7
WALTER RLT#	O-WALUS	1035	12.28	0.00	CCT	0.00	3.25	0.0	0.0	0.0	0.0	-73.5	0.0	3.4
GROUP AVERAGE		1618	10.10	0.30		0.43	5.95	12.9	9.0	13.7	5.0	-41.1	4.3	190.2

SUBORDINATED LAND TRUSTS														
CABOT LAND	N-CFT	2992	7.68	0.00	NOV	0.00	2.88	44.0	-20.7	0.0	0.0	-62.5	0.0	8.6
ICM REALTY	A-ICM	3011	17.57	0.00	AUG	0.64	5.88	0.0	-9.5	9.2	0.0	-66.5	3.6	17.7
PROPERTY CAP	A-PCL	2065	13.67	1.20	CCT	1.20	11.50	2.2	-4.2	9.6	10.4	-15.9	8.8	23.7
GROUP AVERAGE		2689	12.97	0.40		0.61	6.75	5.9	-8.5	11.0	5.9	-47.9	4.7	50.1

SHORT-TERM MTG-MTG BANKER														
ATICO MTG IN	N-ACC	2706	7.66	0.00	CCT	0.00	2.13	-5.3	-14.8	0.0	0.0	-72.2	0.0	5.8
BAIRD & WARN	O-BAIDS	1043	16.67	0.96	CCT	0.13	8.50	30.8	25.9	65.4	11.3	-49.0	0.8	8.9
BARNES MTG	O-BARN	1910	13.19	0.00	SEP	0.00	2.25	0.0	5.6	0.0	0.0	-82.9	0.0	4.3
CENTRAL MTG	O-CMRTS	775	13.26	0.00	SEP	0.00	4.25	41.7	41.7	0.0	0.0	-67.9	0.0	3.3
COLWELL MTG	N-CLM	2030	1.55	0.00	SEP	0.00	1.75	7.4	-6.9	0.0	0.0	12.9	0.0	3.6
FIRST CNTNL	O-FCRES	2106	10.26	0.88	NOV	0.88	8.13X	1.2	-1.5	9.2	10.8	-20.8	8.6	17.1
FRASER MTG I	O-FRASS	1038	16.40	1.00	NOV	0.96	9.25X	-5.0	0.0	9.6	10.8	-43.6	5.9	9.6
GUARDIAN MI	N-GMI	3000	-11.88	0.00	NOV	1.48	1.50	8.7	8.7	1.0	0.0	NEG.	-12.5	4.5
HEITMAN MTG	A-HTM	3292	3.76	0.00	SEP	0.16	1.63	0.0	-6.9	10.2	0.0	-56.6	4.3	5.4
JUSTICE MTG	N-JMI	1184	-2.62	0.00	SEP	0.00	2.13	0.0	-10.5	0.0	0.0	NEG.	0.0	2.5
KMC MTG IN	O-KMTGS	1100	4.28	0.00	AUG	0.00	1.13	50.7	0.0	0.0	0.0	-73.6	0.0	1.2
LCMAS & NTLN	N-LCM	3700	31.61	0.84	DEC	0.84	14.50X	1.4	-3.3	17.3	5.8	-54.1	2.7	53.6
M&T MTG INV	O-MTMS	1482	10.25	1.04	NOV	1.12	9.00X	-5.0	-1.4	8.0	11.6	-12.2	10.9	13.3
MIDLAND MTG	N-MMT	2382	1.92	0.00	SEP	0.00	1.38	0.0	-8.0	0.0	0.0	-28.1	0.0	3.3
NO AMER MTG	N-NAM	4403	12.58	0.20	SEP	0.00	4.38	-2.7	-10.2	0.0	4.6	-65.2	0.0	19.3
SUTRO MTG IN	N-SUT	2322	14.98	0.00	DEC	0.04	7.00	3.7	-1.8	175.0	0.0	-53.3	0.3	16.3
TMC MTG INV	O-TMG	800	-6.42	0.00	SEP	0.00	0.13	-48.0	-48.0	0.0	0.0	NEG.	0.0	0.1
GROUP AVERAGE		2075	8.09	0.29		0.33	4.65	4.0	1.0	14.1	6.2	-42.5	4.1	172.0

*NET CASH FLOW, SEE PAGE 6. *GROSS CASH FLOW. NEG.-NEGATIVE BOOK VALUE. VJ-IN BANKRUPTCY REORGANIZATION. ARROWS DENOTE NEW EARNINGS OR DIVIDEND REPORTS AND DIRECTION. ZEROES INDICATE LOSS OR NO EARNINGS FOR QUARTER SHOWN. GROUP CHANGE: INSTITUTIONAL INVESTORS TRUST FROM MISCELLANEOUS FINANCIAL TO INDEPENDENT.

	EXCH/ SYMBOL	SHARE (000)	BOOK VALUE	ANN DIV*	EARNINGS MCN ANN*	LAST PRICE	% CHG MCN AGC	FROM-- JAN 1	P/E RATIO	ANN* YIELD	% PR TO BK	RET CN BK	MKT VA (MIL\$)		
SHORT-TERM MTG-INDEPENDENT															
	BUILDERS INV	O-BULDS	2929	-0.39	0.00	JUN	0.00	0.56	124.0	47.4	0.0	0.0	NEG.	0.0	1.6
	CAPITAL MI	N-CMU	1675	1.58	0.00	SEP	0.00	1.25	0.0	0.0	0.0	0.0	-20.9	0.0	2.1
VJ	CONTAIL MTG	O-CMI	20838	-4.34	0.00	JUN	0.00	0.06	200.0	100.0	0.0	0.0	NEG.	0.0	1.3
	DOMINION M&R	O-DMRTS	639	-6.08	0.00	AUG	0.00	0.31	416.7	138.5	0.0	0.0	NEG.	0.0	0.2
VJ	FIDELITY MI	O-FID	3046	-17.46	0.00	JUL	0.08	0.25	92.3	38.9	3.1	0.0	NEG.	-0.5	0.8
	FIRST MTG IN	O-FMTGS	8495	-6.90	0.00	JUL	0.00	0.44	131.6	76.0	0.0	0.0	NEG.	0.0	3.7
	GRT AMER MI	O-GAA	4456	-11.78	0.00	JUL	0.00	0.38	111.1	22.6	0.0	0.0	NEG.	0.0	1.7
	HAMILTON INV	O-HAMTS	2095	6.25	0.00	SEP	0.00	1.75	75.0	16.7	0.0	0.0	-72.0	0.0	3.7
	INSTITUTNAL	N-INV	6074	7.53	0.00	OCT	0.00	1.38	0.0	-26.6	0.0	0.0	-81.7	0.0	8.4
	MISSION INV	A-MIT	1812	5.58	0.00	AUG	0.00	1.75	-6.9	7.4	0.0	0.0	-68.6	0.0	3.2
	MTG INV WASH	O-MINVS	2146	7.39	0.00	SEP	0.00	2.88	35.2	15.2	0.0	0.0	-61.0	0.0	6.2
	NATIONAL MTG	O-NMF	2353	-0.01	0.00	NCV	0.00	0.22	69.2	15.8	0.0	0.0	NEG.	0.0	0.5
	REPUBLIC MI	N-RMI	2107	5.77	0.00	SEP	0.00	1.63	0.0	-18.5	0.0	0.0	-71.8	0.0	3.4
	TEXAS 1ST MT	O-TFMRS	1055	7.04	0.00	SEP	0.00	2.63	31.5	5.2	0.0	0.0	-62.6	0.0	2.8
	TIERCO	C-GSR	1161	3.81	0.00	SEP	0.00	0.65	109.7	103.1	0.0	0.0	-82.9	0.0	0.8
	UMET TRUST	N-LAT	2109	4.16	0.00	AUG	0.00	1.88	15.3	-16.4	0.0	0.0	-54.8	0.0	4.0
	WESTERN MI	O-WMTGS	1002	6.79	0.00	AUG	0.00	1.75	26.8	7.4	0.0	0.0	-74.2	0.0	1.8
GROUP AVERAGE			3764	0.53	0.00		0.00	1.16	27.1	4.4	247.1	0.0	121.1	0.9	46.0

SHORT-TERM MTG-COMCL BANK														
AMER FLETCR	A-AFM	1352	3.49	0.00	GCT	0.00	1.75	-6.9	-6.9	0.0	0.0	-49.9	0.0	2.4
BARNETT MTG	O-BMT	2174	-6.85	0.00	SEP	0.00	0.56	100.0	12.0	0.0	0.0	NEG.	0.0	1.2
CAMERON-BRW	N-CB	2016	9.94	0.00	SEP	0.00	1.75	16.7	0.0	0.0	0.0	-82.4	0.0	3.5
CHASE MAN MT	N-CMR	4886	-12.49	0.00	NCV	0.82	3.13	0.0	0.0	3.8	0.0	NEG.	-6.6	15.3
CITINATL DEV	O-CITT6	600	13.23	0.00	SEP	0.00	3.00	0.0	4.2	0.0	0.0	-77.3	0.0	1.8
CITIZENS MI	O-CZM	1421	-11.32	0.00	SEP	0.00	0.38	90.0	11.8	0.0	0.0	NEG.	0.0	0.5
CITIZ&SO RL	N-CZS	3829	-8.78	0.00	SEP	0.00	1.63	-13.3	-13.3	0.0	0.0	NEG.	0.0	6.2
CONT ILL RLY	N-CIR	2757	0.33	0.00	SEP	0.00	1.88	-16.4	-16.4	0.0	0.0	469.7	0.0	5.3
FST COMMERCE	O-FCRMS	1008	13.28	0.00	SEP	0.00	4.50	-5.3	5.9	0.0	0.0	-66.1	0.0	4.5
FST DENVR MI	O-FDENS	1621	1.25	0.00	SEP	5.13	0.75	0.0	0.0	0.1	0.0	-40.0	410.4	1.2
FST PENN MT	N-FPM	2961	8.04	0.00	CCT	0.00	2.38	-4.8	-13.5	0.0	0.0	-70.4	0.0	7.0
FST WISCN MI	O-FWM	1910	5.23	0.00	SEP	0.00	1.38	84.0	-8.0	0.0	0.0	-73.6	0.0	2.6
INDEPEND MTG	O-INTGS	2500	-3.89	0.00	SEP	0.00	0.38	22.6	0.0	0.0	0.0	NEG.	0.0	0.9
MARYLAND RLY	O-MDRTS	760	7.91	0.00	AUG	0.08	3.25	62.5	52.6	40.6	0.0	-58.9	1.0	2.5
TRI-SOUTH MI	N-TSI	2260	2.26	0.00	SEP	0.00	1.63	18.1	18.1	0.0	0.0	-27.9	0.0	3.7
WACHOVIA RLY	N-WRI	3335	11.29	0.00	NCV	0.00	4.13	18.0	0.0	0.0	0.0	-63.4	0.0	13.8
WELLS FAR MI	N-WFM	3911	17.25	0.48	DEC	1.08	11.38	28.2	18.2	10.5	4.2	-34.0	6.3	44.5
GROUP AVERAGE		2314	2.95	0.03		0.42	2.58	12.6	5.7	6.2	1.1	-12.6	14.2	117.1

SHORT-TERM-MISC FINCL														
AMER CENTURY	N-ACT	2607	6.05	0.00	SEP	0.00	2.25	38.0	0.0	0.0	0.0	-62.8	0.0	5.9
BENEF STD MI	N-BSM	1355	1.70	0.00	OCT	0.00	1.63	-13.3	-23.5	0.0	0.0	-4.1	0.0	2.2
CI MTG GROUP	N-CI	4812	0.49	0.00	OCT	0.00	0.94	-16.8	-6.0	0.0	0.0	91.8	0.0	4.5
HANOVER SQ R	A-HSQ	946	10.99	0.00	NCV	0.00	5.00	25.0	0.0	0.0	0.0	-54.5	0.0	4.7
IDS RLTY TR	N-IDR	2409	-17.40	0.00	OCT	0.00	0.88	-53.2	39.7	0.0	0.0	NEG.	0.0	2.1
LMI INVSTORS	O-LWN	2009	-1.72	0.00	SEP	0.00	1.19	213.2	48.7	0.0	0.0	NEG.	0.0	2.4
MTG TRUST AM	N-MT	3860	12.49	0.00	AUG	0.00	4.00	18.3	-13.6	0.0	0.0	-68.0	0.0	15.4
NATIONWID RE	C-NRELS	1047	24.02	0.16	SEP	0.16	7.50	36.4	22.3	46.9	2.1	-68.8	0.7	7.9
GROUP AVERAGE		2381	4.58	0.02		0.02	2.92	18.3	3.6	146.2	0.7	-36.1	0.4	45.1

INTERMEDIATE-TERM MORTGAGES														
ALISON MTG I	O-AMV	2339	-14.64	0.00	JUL	0.00	0.63	231.6	-37.0	0.0	0.0	NEG.	0.0	1.5
BARNET-WINST	O-BWITS	1663	0.87	0.00	SEP	0.00	0.38	52.0	-54.2	0.0	0.0	-56.3	0.0	0.6
DIVERSIFD MI	N-DMG	7327	6.95	0.00	SEP	0.00	1.63	8.7	8.7	0.0	0.0	-76.5	0.0	11.9
FST VIRGINIA	O-FVM	1208	2.55	0.00	SEP	0.00	0.50	31.6	25.0	0.0	0.0	-80.4	0.0	0.6
RLTY REFUND	A-RRF	1045	18.45	2.16	OCT	2.16	19.00	1.3	-3.2	8.8	11.4	3.0	11.7	19.9
SECURITY MT	A-SMC	6487	5.81	0.00	SEP	0.00	2.75	37.5	10.0	0.0	0.0	-52.7	0.0	17.8
GROUP AVERAGE		3345	3.33	0.36		0.36	4.15	7.9	-3.8	11.5	8.7	24.5	10.8	52.3

LONG-TERM MTG & EQUITIES														
ATLANTA NATL	O-ATNAS	1260	10.54	0.00	AUG	0.00	1.50	-8.0	0.0	0.0	0.0	-85.8	0.0	1.9
BT MTG INVTR	N-BTM	2116	0.12	0.00	SEP	0.00	2.25	-10.0	-10.0	0.0	0.0	1775.0	0.0	4.8
CLEVELTRST RL	O-CTRS	2525	11.03	0.00	SEP	0.15 ↑	3.38	35.2	28.5	22.5	0.0	-69.4	1.4	8.5
CON GEN M&R	N-CGM	5715	19.41	1.60	SEP	1.44	18.88X	3.5	-1.9	13.1	8.5	-2.7	7.4	107.9
COUSINS M&EQ	N-CUZ	3854	1.51	0.00	NCV	0.00	1.63	-6.9	-18.5	0.0	0.0	7.9	0.0	6.3
EQUIT LF MTG	N-EQ	5597	23.62	2.24 ↑	OCT	2.20	25.13X	-1.6	-4.7	11.4	8.9	6.4	9.3	140.7
FIDELCO GROW	A-FGI	1580	14.79	0.00	AUG	0.00	2.63	16.9	5.2	0.0	0.0	-82.2	0.0	4.2
FST MEMPHIS	O-FMEWS	1156	6.76	0.00	AUG	0.00	1.88	25.3	15.3	0.0	0.0	-72.2	0.0	2.2
GULF MTG&RLY	N-GMR	2210	6.40	0.00	NCV	0.00	2.00	-6.1	-11.1	0.0	0.0	-68.8	0.0	4.4
HNC MTG&RLY	O-HNCMS	2388	4.21	0.00	OCT	0.00	0.88	39.7	-12.0	0.0	0.0	-79.1	0.0	2.1
HOSPITAL MTG	A-HMG	1178	22.90	0.60	NOV	0.80	7.13X	14.1	7.5	8.9	8.4	-68.9	3.5	8.4
MASSMUT MTG	N-MML	4670	19.39	1.08	OCT	1.08	14.25	1.8	0.8	13.2	7.6	-26.5	5.6	66.5
MONY MTG INV	N-MYM	8825	9.94	0.92	NOV	0.76	10.25X	-7.9	-10.9	13.5	9.0	3.1	7.6	90.5
MTG GROWTH I	A-MTG	2652	10.99	0.48	AUG	0.34	5.75X	-2.2	4.5	16.9	8.3	-47.7	3.1	15.2
NOWSTRN FINC	O-NFINS	1510	14.64	0.00	SEP	0.00	2.88	4.7	4.7	0.0	0.0	-80.3	0.0	4.3
NOWSTRN MUTL	N-NML	4758	19.09	1.00	DEC	0.88 ↑	13.25X	1.9	-1.0	15.1	7.5	-30.6	4.6	63.0
OLD STONE M#	O-OSMRS	813	9.56	0.00	SEP	0.00	6.75	3.8	1.8	0.0	0.0	-29.4	0.0	5.5
PACIFIC STN#	O-PSMRS	814	11.83	0.31	SEP	0.64	5.88	4.4	4.4	9.2	5.3	-50.3	5.4	4.8
PNB MTG& RL#	N-PNI	2437	18.46	0.40	SEP	0.40	9.00	0.0	-2.7	22.5	4.4	-51.2	2.2	21.9
RAM PACIFIC	O-RPACS	1890	18.00	1.16	NOV	1.28	10.88X	16.0	4.8	8.5	10.7	-39.6	7.1	20.6
STATE MUTUAL	N-SMU	2786	0.13	0.00	SEP	0.00	1.50	138.1	8.7	0.0	0.0	1053.8	0.0	4.2
UNITED RLTY	A-URT	3610	17.57	0.72	NCV	0.68	8.50X	5.2	0.0	12.5	8.5	-51.6	3.9	30.7
GROUP AVERAGE			2925	12.31	0.48		7.10	3.5	-0.7	14.7	6.7	-42.3	3.9	618.5

HOW TO USE COMPARATIVE TRUST STATISTICS

CONVERTIBLE DEBENTURES

DEBENTURE	EX	MAT	INT	CONV	RECENT	YIELD	%
			(%)	AT	PRICE	(%)	CHNG
ALISON MTG	OC	'91	6.75	27.50	32.00	21.1	25.5
AMPR CENTURY	AS	'90	7.00	21.00	56.00	12.5	1.4
AMPR CENTY'B	NY	'91	6.75	28.00	56.50	11.9	8.7
AMPR REALTY	OC	'84	7.00	10.40	25.00	28.0	-10.7
BAIRD&WARNER	OC	'91	6.75	21.00	65.00	10.4	1.6
BANKAMERICA	OC	'90	6.75	21.00	76.00	8.9	0.0
BENEF STD MI	AS	'91	6.50	27.75	51.75	12.6	19.0
CAPITAL MTG	OC	'91	6.50	33.00	33.00	19.7	-8.3
CHASE MANHTN	NY	'96	6.50	55.00	46.63	13.9	7.2
COLWELL MTG	OC	'91	6.50	29.38	33.00	19.7	32.0
CONN GENERAL NY	'96	6.00	32.50	75.00	8.0		1.0
CONTNLT MTG	OC	'90	6.25	19.79	3.75	VJ	25.0
EQUITBL LF M	NY	'90	6.75	26.25	95.00	7.1	5.1
FIDELITY MI	OC	'85	7.75	21.25	8.00	VJ	14.3
FIRST PENN M	OC	'91	6.75	26.00	44.00	15.3	0.0
FIRST UNION	NY	'91	7.00	13.00	92.00	7.6	2.2
FRANKLIN RLY	AS	'89	7.00	10.00	70.00	10.0	1.4
GRT AMPR MI	OC	'91	7.00	35.50	8.00	87.5	60.0
HANOVER SQ R	AS	'92	7.25	21.00	67.00	10.8	0.0
HEITMAN MTG	AS	'92	7.50	14.70	62.88	11.9	4.8
HNC MTG	OC	'91	6.75	21.00	44.00	15.3	4.8
HOTEL INVSTR	OC	'90	7.75	21.00	75.00	10.3	1.4
HOTEL INVTRS	OC	'91	7.50	25.25	70.00	10.7	1.4
LINCOLN MTG	OC	'90	8.00	11.00	40.00	20.0	0.0
MASSMUTL MTG	NY	'90	6.75	21.00	82.63	8.2	2.6
MASSMUTUAL M	NY	'91	6.25	33.50	74.00	8.4	-4.5
MIDLAND MTG	OC	'86	7.00	16.67	38.25	18.3	0.7
MONY MGIN	NY	'90	7.00	11.00	95.63	7.3	-4.4
MTGINV WASH	OC	'90	8.00	15.00	53.00	15.1	6.0
NATIONAL MTG	OC	'91	7.00	12.00	8.50	82.4	21.4
NJB PRIME	OC	'91	6.75	21.00	22.00	30.7	22.2
NOWSTRN MUTL	NY	'91	6.00	21.00	76.50	7.8	0.7
OLD STONE MT	OC	'87	6.88	15.00	70.00	9.8	0.0
RAM PACIFIC	OC	'91	6.75	21.00	75.00	9.0	8.7
REALTY INCOM	AS	'91	8.00	18.00	83.75	9.6	0.3
REPUBLIC MI	NY	'90	9.00	19.00	80.00	11.2	6.8
SAUL (BF) RJ	OC	'91	6.50	23.00	55.00	11.8	5.8
SAUL(BF) REI	OC	'90	8.00	15.50	65.00	12.3	4.8
STATE MUTUAL	AS	'91	6.75	21.00	32.00	21.1	-20.0
SUTRO MIT	NY	'82	6.75	20.00	81.00	8.3	-2.7
SUTRO MTG	AS	'91	6.75	20.00	71.00	9.5	2.9
TRI-SOUTH MI	NY	'92	7.00	29.50	36.38	19.2	7.0
US BANCORP	AS	'92	7.00	26.25	70.88	9.9	-0.2
US REALTY IN	NY	'89	5.75	20.20	56.00	10.3	9.3

These data are designed to facilitate comparison of relative efficiency of real estate investment trust managements with available funds. Readers should note that historical data are used and thus no earnings or dividend projections or estimates are included. Investors are advised to consider carefully the following distinctive characteristics of REITs compared with other industrial or financial securities:

Annualized Dividend and Yield: Most REITs do not pay a posted quarterly dividend rate but instead pay their approximate earnings (or net cash flow, if appropriate) for the quarter. They follow this practice because REITs are required to pay at least 90% of earnings to shareholders in order to qualify for exemption from Federal income taxes. This practice means that dividends paid by most REITs will vary much more from quarter to quarter than industrial securities. This possibility for quarterly variations gives REIT shares higher risk because earnings do not provide a safety margin of coverage for the dividend as they do for industrial stocks. The outlook and stability of dividends are thus key factors in our RELATIVE APPEAL RANKINGS. The "Annualized Dividend" column is the latest quarterly payout annualized by multiplying by four, and adjusted for any capital gains or other special dividend payments. Special dividends, marked "S", are paid to maintain tax exemption but are not expected to be continued in subsequent quarters. Because of these possible variations, annualized dividends and yield are not to be considered in any way as posted or guaranteed yields.

Annualized Earnings and Price/Earnings Ratio: For mortgage trusts, latest quarter earnings are multiplied by four. Zeroes indicate losses or no earnings for the quarter indicated. Losses per share are shown in RELATIVE APPEAL RANKINGS. For equity trusts, annualized net cash flow as calculated by Audit Investment Research, Inc. is used in place of earnings as the best single measure of results. Net cash flow is defined as net income plus depreciation minus mortgage amortization. The symbol "\$" indicates cash flow in the earnings column. For a few trusts, gross cash flow (i.e., net income plus depreciation) is used, denoted by "G". Cash flow derived from amortization of debt discount is denoted by "D". The price/earnings ratio relates current price to the most appropriate earnings result. Both earnings (EPS) and net cash flow (CFS) per share for equity trusts for current periods are shown in RELATIVE APPEAL RANKINGS.

Shares: The number of shares outstanding, in thousands, is the number issued as of the latest balance sheet and is not adjusted for any potential conversion of debentures or exercise of warrants. Book value per share is essentially net tangible worth per share. The number does not reflect any changes in asset values through appreciation or abnormal depreciation of assets, nor any potential increase from possible conversion of debentures. Realized and estimated investment losses, as determined by management's provision for possible losses, are deducted from book value under AICPA rules. Audit also deducts intangible debt discount and expense costs from book value.

Trusts are grouped into nine categories under three major groupings to facilitate comparison. The category used for each trust is shown in RELATIVE APPEAL RANKINGS. **Equity and combination** groups include **Equity** trusts with over 80% of invested assets in direct ownership of completed income producing properties; **Equity & Mortgage combination** which balance investments between equity ownership and mortgages; and **Subordinated Land** trusts, investing primarily in ownership of land beneath income producing properties and leased to building operators.

Short-term mortgage groups invest primarily in mortgages under three years maturity, mainly construction, land development and other interim loans. They are grouped by sponsorship as follows: **Mortgage banker; Independent; Commercial bank; and Miscellaneous financial institutions.** **Intermediate & long-term mortgage** groups are classed as intermediate-term for those whose predominant holdings mature in three to 10 years; and **long-term** for those with loans maturing in over 10 years, and generally with some equity investments.

WARRANTS

NAME	EXCH/ SYMBOL	EXP DATE	OUT (000)	EXER PRICE	NO. SH.	WTS PRICE	STK PRICE	CONV PREM	% CHG	MKT VA (MIL\$)
AMPR CENTURY	A-ACTW	6/78	897	23.00	1.0	0.13	2.25	928.0	116.7	0.1
ATICO MTG IN	A-ACOW	12/79	563	15.00	1.0	0.38	2.13	622.1	-13.6	0.2
BARNES MTG	C-BARNW	12/82	1910	20.00	1.0	0.01	2.25	789.3	-92.3	0.0
BENEF STD MT	A-BSW	7/80	554	20.00	1.0	0.31	1.63	1146.0	138.5	0.2
BRT RLTY TR	A-BRTW	11/77	1400	10.00	1.0	0.03	1.00	903.0	0.0	0.0
CAPITAL MTG	C-CMGRW	11/79	471	20.00	1.0	0.01	1.25	1500.8	0.0	0.0
CENTRAL MTG	C-CMATW	3/77	775	20.00	1.0	0.13	4.25	373.6	0.0	0.1
COLWELL MTG	A-CLW	12/77	225	20.00	1.0	0.06	1.75	1046.3	0.0	0.0
DENVER REIA	C-DENV5	5/77	177	11.00	1.0	0.04	6.75	63.6	0.0	0.0
FIRST UNION	C-FUREW	12/77	600	12.75	1.0	0.63	12.38	8.1	12.5	0.4
FLATLEY RLT	C-FLTLW	5/77	1000	10.00	1.0	0.10	3.00	236.7	0.0	0.1
GUARDIAN MT*	A-GMTW	7/77	241	36.00	1.0	0.06	1.50	2304.0	0.0	0.0
GULF MTG&RL*	A-GPRW	3/77	2210	20.00	1.0	0.03	2.00	901.5	0.0	0.1
HOSPITAL MTG	A-FMCG	2/78	1178	25.00	1.0	0.03	7.13	251.1	-66.7	0.0
JMB REALTY	C-JMBRW	8/77	510	20.00	1.0	0.25	13.75	47.3	0.0	0.1
M&T MTG INV	C-MTIZ	8/80	747	13.00	1.0	0.25	9.00	47.2	0.0	0.2
MISSION INV	A-MITW	3/77	604	16.50	1.0	0.03	1.75	844.6	0.0	0.0
MTG INV WASH	C-MINW	3/80	931	15.00	1.0	0.19	2.88	427.4	216.7	0.2
NATIONWID RE	C-NRELW	1/81	652	32.00	1.0	0.06	7.50	327.5	20.0	0.0
NORTH AM MTG	C-NANW	3/79	710	31.13	1.0	0.25	4.38	616.4	-34.2	0.2
NOWSTRN FINC	C-FITW	11/78	1510	18.06	1.1	0.03	2.88	528.0	0.0	0.0
PLAZA REALTY	C-PNEW	11/77	1113	18.50	1.0	0.02	0.88	2004.5	-84.6	0.0
PNB MTG&RLTY	A-PNTW	12/77	1220	20.00	1.0	0.13	9.00	123.7	-58.1	0.2
REPUBLIC MI	A-RMTW	6/79	1064	20.00	1.0	0.25	1.63	1142.3	92.3	0.3
RLTY REFUND	C-RREFW	6/77	1013	20.00	1.0	0.69	19.00	8.9	-21.6	0.7
SAN FRAN REI	A-SFFW	12/80	1348	25.00	1.0	1.50	14.00	89.3	240.9	2.0
SECURITY MT*	A-SMCW	5/79	3117	16.00	1.0	0.25	2.75	490.9	56.3	0.8
SUTRO MIT(R)	A-SUTW	6/77	700	20.00	1.0	0.56	7.00	193.7	12.0	0.4
SUTRO MTG IN	C-SUTR5	4/77	299	22.00	1.0	0.05	7.00	215.0	0.0	0.0
UNITED RLT	A-URTW	12/79	3610	20.00	1.0	0.38	8.50	139.8	52.0	1.4
WELLS FARGO	C-WELLW	7/77	3458	20.00	0.5	0.02	11.38	76.1	-50.0	0.1

EXTENDED: Barnes Mortgage; Northwestern Financial Investors.
*DEBENTURES USABLE IN LIEU OF CASH.

IRS RULING ELIMINATES TAX LIABILITY ON WARRANTS ISSUED PRIOR TO APRIL 24, 1972

A recent Internal Revenue Service ruling would apparently eliminate any tax liability for unexercised warrants providing they were issued prior to April 24, 1972. Many real estate trusts are among the beneficiaries as most issued their warrants before that date. Some trusts issued warrants after that date and we have prepared compilations of both categories on p. 8. The ruling now provides a starting point for evaluation because without tax liability on warrant expiration, trusts with little hope for viability will likely take advantage to eliminate them. The viable trusts may choose to extend their warrants even though tax consequence is no longer a factor. And in the tax consequence category, there is now clearer incentive to extend warrants issued after April, 1972 simply to avoid a tax liability even if offset by losses.

Good and sufficient economic reason remains for viable trusts to extend warrants even though those in the first category no longer have the incentive of tax consequence. Before even considering such speculation, however, bear in mind that in the absence of trust management's intention to extend, speculators face more realistic possibility of expiration now than before the ruling. But economic fundamentals make extension desirable for these trusts. If their internal returns ever get back to the 9-10% range, the warrants could then serve their original intended purpose, a form of backdoor financing. Conditions have changed dramatically from when warrants were first issued in the industry's heyday. With public financing now improbable for all but perhaps a few top tier trusts, warrant exercise appears to be the only possible new money source for medium grade but viable trusts, assuming their share prices get back to exercise flash points.

It therefore behooves these trusts to extend their warrants. Specifically those trusts in this group exhibiting viability are: First Union Real Estate, M&T Mortgage, PNB Mortgage, Realty ReFund, San Francisco and Wells Fargo Mortgage. Do not confuse viability, however, with high probability of exercise value. Four of these shares would have to rise 44% to 113% to reach the level at which the warrant is exercisable. Realty ReFund is within 5% of exercise price and First Union within 3%. Realty ReFund also happens to be a good bet to extend its warrants if necessary as its assets and financing are frozen leaving warrant exercise as the most realistic growth avenue. There is another constraint on exercise value. Exercise points of these warrants are 8% to 27% above the respective book values of these trusts' shares meaning the share prices will have to move to rarified altitudes for exercise value to begin accruing to the warrants. And if recent market action teaches us anything it's that even high quality shares tend to peak when their internal return levels off placing a very real ceiling within 10-20% over book value.

The category of warrants having tax consequences now present a slight negative for the trusts involved but give speculators greater assurance of extension. The viable trusts here whose warrants have any statistical possibilities are: Barnes Mortgage, Flatley Realty, JMB Realty, Sutro Mortgage and United Realty. Among these, JMB and United are the most intriguing statistically with exercise prices only 10% and 14%, respectively, above remaining book value. But even with these two, the market prices of the shares would have to rise 43% and 135%, respectively, for the warrants to begin having exercise value.

Several warrants have unusual features. Atlanta National warrants will be converted into 0.01 share each when they expire August 31, 1977. Most interesting conceptually is the Citizens & Southern warrant which becomes exercisable in Oct., 1977 at 80% of the share's average price. With the trust so far under water, however, this may be academic.

WARRANTS THAT CAN EXPIRE WITHOUT TAX CONSEQUENCES

Trust	Out (000)	Exer. Price	Issued	Curr. Expr.	Trust	Out (000)	Exer. Price	Issued	Curr. Expr.
Amer. Cent.	897	\$23	1970-71	6/30/78	First Union	600	12.75	12/71	12/1/77
Amer. Flet.	488	25	2/70	2/28/78	Guardian	330	36	7/71	7/15/77
Amer. Rlty.	1098	9.62	10/71	9/30/79	Gulf Mtg.	2510	20	3/71	3/1/77
Atico Mtg.	563	15	11/69	12/31/79	Hospital Mt	1178	25	2/72	2/16/77
Atico Mtg.-B	358	21	5/71	4/30/81	IDS Realty	703	25	1/72	2/1/77
Atico Mtg.-C	745	23	2/72	2/15/82	Independnce	2500	25	6/71	6/30/01
Atlanta Nat.	1260	20	8/71	8/31/77*	Justice	942	20	1/72	1/31/78
Benef. Std.	554	20	7/70	7/14/80	KMC Mtg.	1100	15	12/71	12/14/81
Benef. Std-B	285	27.75	11/71	3/1/77	M&T Mtg.	747	13	8/70	8/31/80
BT Mtg.	426	24	1/72	1/31/78	Mission	604	16.50	3/72	3/21/77
Builders	1955	25	12/71	12/7/86	M.I.Wash.	932	15	3/70	3/5/80
Cabot C&F	300	28	12/70	12/31/81	Mtg.Tr.Am.	2482	20	11/69	11/7/77
Cameron Brn.	1478	25	11/69	11/15/77	Nationwide	653	32	1/71	1/15/81
Capital Mtg.	471	20	11/69	11/23/79	No.Amer.Mtg	710	31.13	3/72	3/31/79
Central Mtg.	755	20	4/72	3/25/77	N.W.Financ1	1510	18.06	1/72	1/18/77
CI Mtg.	2855	20	10/69	3/1/80	Old Stone M	600	16	3/72	3/30/77
CI Realty	2608	25	4/72	3/31/77	PNB Mtg.	1220	20	12/70	12/31/77
Citizns Gro	786	20	1/72	3/19/77	Rlty ReFund	1013	20	6/71	6/14/77
CleveTrust	2507	20	1/71	1/15/79	Republic Mt	1064	20	68-70	6/30/79
Colwell Mtg.	225	20	12/69	12/15/77	San Fran RE	1348	25	12/70	12/31/80
Cont Ill Rly	179	20	4/69	4/2/77	Sutro Mtg.	299	22	4/71	4/15/77
Denver REIA	177	11	5/71	5/1/77	TIERCO	759	20	11/71	2/20/77
Dominion-A	398	12	5/71	6/1/77	Texas First	1055	20	6/71	6/29/77
First Denv.	1399	20	10/70	10/6/77	Tri-South	209	20	12/70	12/2/77
Fir.Memphis	1124	20	11/70	2/1/78	United Rlty	3610	20	12/71	12/27/79
Fir. Pennsy.	1488	20(1/2)	7/70	7/23/77	Wells Fargo	1729	20	6/70	7/1/77
Fir. Pennsy.	540	28.25	8/71	7/1/78					

WARRANTS THAT ARE TAXABLE UPON EXPIRATION

BRT Rlty	1400	10	11/72	11/30/77	Indiana M&R	1142	20	6/72	6/30/77
Barnes Mtg.	1910	20	12/72	12/31/77	JMB Realty	510	20	8/72	8/18/77
Barnett-Wins	1657	20	7/72	7/13/77	Justice Mt	300	25.75	2/73	2/1/79
Cit&So.Rl.-A	300	#	10/72	11/15/77	NJB Prime	250	#	4/73	4/30/77
Dominion-B	550	17.75	10/72	10/31/87	Plaza Rlty	1114	18.50	11/72	11/22/77
First Va.	1208	25	5/72	3/25/77	Security Mt	3117	16	5/72	5/1/79
Flatley	1000	10	5/72	5/30/77	Sutro Mt-B	700	20	6/72	6/1/77
Hamilton	2095	20	5/73	5/9/83	Walter Rlty	1035	18.50	7/72	7/31/77

*After which convertible into .01 shares. #Usable with debentures at varying rates.

When all is said about warrant analysis, the risks are considerable. Speculators also must bridge the wide gap between bid and asked in the Over-The-Counter market just to break even. Like the last speculator in a chain of successively higher buyers who finally opened a case of sardines to find them rotten ("these sardines were for trading, not eating"), most warrants are for trading not exercising.